

Message Text

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ACTION AGR-20

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PASS AGRICULTURE

E.O. 11652: N/A

TAGS: EAGR, SP

SUBJECT: SOYBEAN SITUATION

IN REVEIW OF CURRENT SOYBEAN SITUATION WITH DOMESTIC CRUSHERS YESTERDAY AGATT TOLD THAT NEW CROP U.S. BEANS WILL START ARRIVING SPAIN NEXT WEEK. SENPA'S PURCHASES OF 400,000 TONS OF SOYBEAN MEAL, HOWEVER, HAS CLOGGED PORT AND STORAGE FACILITIES. SPANISH FEED MANUFACTURERS NOT ABLE TO HANDLE LARGE QUANTITIES OF IMPORTS AS THEY ACCUSTOMED TO BUYING FROM LOCAL CRUSHERS ON HAND-TO-MOUTH BASIS. THE TRADE ESTIMATES THAT ONLY 30-40 PERCENT OF THESE IMPORTS HAVE BEEN UTILIZED TO DATE AND SENPA THUS DELAYING PURCHASES FROM DOMESTIC CRUSHERS UNTIL DECEMBER. CRUSHERS ARE CONCERNED WITH UNCERTAINTIES ARISING FROM IMPOSITION OF VARIABLE LEVY (PRESUMABLY WHEN THEY APPLY FOR IMPORT LICENSE FOR BEANS) SINCE THEY WILL NOT BE ABLE TO RECOUP LEVY UNTIL THEY CAN SELL THE MEAL. SO FAR, NO LEVIES HAVE BEEN ASSESSED SINCE IMPORTS OF MEAL (SUBJECT TO LEVY OF ABOUT \$165 PER METRIC TON) BY SENPA ARE EXEMPT. THEY ALSO FEEL THAT LEVY MAY BE REDUCED BEFORE THE GOS RECOVERS ALL OF THE SUBSIDY PAID OUT EARLIER, SINCE LEVY RUNS COUNTER TO GOVERNMENT EFFORTS TO CONTROL INFLATION-- NOW APPROACHING A 15 PERCENT ANNUAL RATE. WITH REGARD TO THE EDIBLE OIL" SHORTAGE" OUR CONTACTS STATE THAT CURRENT STOCKS OF OLIVE OIL ARE AN AMPLE

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70,000 - 100,000 TONS AND NOT 40,000 TONS AS FEARED BY

GOVERNMENT SUPPLY AGENCY (CAT).

ALSO ABUNDANT SUPPLIES NEW CROP SUNFLOWER OIL SHOULD BE AVAILABLE BUT PRODUCERS APPARENTLY NOT SELLING AS CEILING PRICES ARE OUT OF LINE WITH CURRENT OLIVE OIL PRICES. TO RELIEVE MARKET PRESSURES, SPAIN HAS PURCHASED SOME 30,000 TONS OF OIL ABROAD - MAINLY SOYBEAN OIL FROM THE UNITED STATES. IN ADDITION, PRODUCERS HAVING DIFFICULTY MOVING SUNFLOWER MEAL AND SENPA IS TYING SALES OF IMPORTED SOYBEAN MEAL TO DOMESTIC SUNFLOWER MEAL.

ONE SOURCE FEELS THAT GOS HAS SHIFTED AWAY FROM PROTECTION OF DOMESTIC CRUSHERS AND LATER WILL HAVE TO TAKE MORE RISKS THAN IN PAST. HE FEELS THAT SPAIN MAY AGAIN IMPORT MEAL AND/OR OIL IN FUTURE IF PRICES GET OUT OF LINE.

IN VIEW OF UNCERTAINTIES IT DOUBTFUL THAT LOCAL CRUSHERS WILL RETURN TO NORMAL OPERATIONS AT LEAST BEFORE THE FIRST OF THE YEAR UNLESS THERE IS SOME CHANGE IN IMPORT PRICING POLICIES.

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